

Personnel 17

Deputy Director for Plans
JCS

Tom:

This is the proposal for separation compensation that I mentioned yesterday. It has, I believe, particular applicability to your problem.

I have given a copy to Houston and have asked him to look into the legal aspects of it. Personally I see no difference between this and our prior separation compensation plan.

Would appreciate your views and support on this.

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Distribution:

Orig - Adse w/x of Proposal (Proposal to Foster Early Retirement Under CIAR)

1 - RLBannerman w/t of Proposal

1 - JWCoffey w/t of Proposal

1 - [Redacted] w/t of Proposal

1 - [Redacted] w/t of Proposal

✓ 1 - DD/S Subject w/t of Proposal

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Proposal to Foster Early Retirement Under CIAR

1. Voluntary early retirement and involuntary retirement was legislated by Congress in the CIA Act of 1963 to assist the Agency in managing that portion of its personnel whose careers are primarily concerned with the conduct and support of intelligence activities abroad. Major factors requiring special management of these people included:

a. Recognition of the inability and inadvisability of attempting to provide a full career (to age 60 or 65) for all or even most of the employees involved in the conduct and support of intelligence activities abroad. Reasons: lack of cover for older employees; health impediments to continuing overseas service; need for large number of active, young gung-ho persons; motivational exhaustion; inability to absorb large numbers of older employees in Headquarters positions during terminal years without drying up the reservoir of younger persons needed for overseas staffing; exposure to foreign governments' intelligence personnel, etc.

2. Incentives provided by Congress to induce shorter careers on a voluntary or involuntary basis were::

a. The right to retire with immediate annuity as young as age 50 upon completion of 20 years' service, 10 with the Agency and 5 in qualifying service.

SECRET

- 2 -

b. A straight 2% per year of service multiplier in the computation of annuities.

3. Experience has shown that insufficient numbers of employees are exercising their right to retire voluntarily prior to age 60 to solve the manpower management problems of the Agency. The alternative to voluntary early retirement is more extensive use of the involuntary retirement authority. The DD/P, however, considers it inadvisable to do so in the belief that extensive use of this authority, excepting for clearly provable and widely recognized cases of individual unsuitability and unsatisfactory performance, would be unacceptable in terms of employee morale. He believes so doing would generate an excessive degree of insecurity among employees and resentment; further, that individuals so retired would be humiliated and hostile and might be induced to make public disclosures, perhaps in self-justification or retaliation, that would be highly injurious to the National interests.

4. The problem, therefore, is to devise some concept that will permit more extensive use of the involuntary retirement authority without creating a furor upsetting to morale and also one which will significantly reduce the fear with which employees face the prospect of seeking other employment. Obviously, the major requirement is to minimize the financial impact of separation to a degree that employees can confidently face the problem of starting a new career elsewhere. To the extent that this can be done, voluntary retirements, confidentially instigated, in lieu of involuntary retirement, can become an effective tool

of management with minimal employee attention and resentment.

SECRET

- 3 -

5. In effect and intent, there is no difference between an induced voluntary retirement and an involuntary retirement. Either achieves the desired result of removing from service persons who no longer can be effectively used by the Agency and who otherwise could congest our employee rolls and impede and retard Agency personnel management programs. Job rotation between field and headquarters, on-the-job training and development, and career progression all suffer from excessive numbers of persons who do not or cannot satisfy the staffing requirements of this year and the future.

6. The effect on the individual of early retirement, voluntary or involuntary, is identical. He is immediately faced with a drastic reduction in his income which will force him to severely reduce his standard of living or to accept immediately other employment no matter how unsuitable. Annuities, although helpful, will in most cases not exceed 40 to 50% of former salary. The individual usually will have at least some period of unemployment, will incur the expenses of job seeking, possibly incur relocation expenses and so forth. These economic facts of life must be recognized as the most serious impediment to the implementation of the voluntary and involuntary early retirement tools Congress has legislated for the use of Agency management.

7. The solution can only be a program of incentives or compensation for the loss of employment that will remove the short range financial fears of employees. There is already precedent for this in Federal civilian government service. The Agency itself was the leader in the Federal Government in

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authorizing separation compensation in connection with the separation of surplus

SECRET

- 4 -

employees in 1962. Congress subsequently authorized separation compensation to all Federal civilian employees separated under more limited, but similar circumstances.

8. This Federal statute, in effect, guarantees the separated employee compensation at full salary rates for up to one year or even longer if payments are suspended during periods of temporary Government employment. It cannot be directly applied to the Agency problem since no payments are authorized to persons who are eligible to receive an immediate annuity. The CIA manpower management problem is different, however, since our legislation recognizes and is based upon a need to foster both voluntary and involuntary retirements. To the extent that present legislation has proven to be inadequate, corrective action must be taken.

9. The specific formula, under the Federal statute, is based on the number of years of creditable service of the employee and is computed at the rate of one week's basic salary per year of service up to 10 years and two week's salary for each year in excess of 10. An additional 10% of the allowance so computed is provided for each year the individual exceeds age 40 at the time of separation. The maximum allowance payable may not exceed one year's salary. Payments are made biweekly at the same rate as the individual's normal compensation with deductions only for income taxes.

10. It is interesting and important to note that every CIA employee eligible to retire either voluntarily or involuntarily under the CIARS would be

SECRET

- 5 -

eligible to receive the maximum separation allowance of one year's salary were the same formula to be applied. The only theoretical exception would be an individual with 25 years of service under age 43.

11. The specific plan being proposed is to establish by Agency regulation that a separation allowance (computed as described above) will be available to every employee retiring between the ages of 50 through 59 under the CIARS provided:

a. The retirement is involuntary or is voluntarily applied for in lieu of involuntary retirement.

b. The retirement is voluntarily applied for and there is a determination by the Director that such retirement is in the best interests of the Agency.

12. An important and necessary limitation would be the required offset of the annuity received from the separation allowance payments made. The major accomplishments of this proposal would be the following:

a. There would be little need to ever force an involuntary retirement. Selected individuals could be quietly and confidentially counseled on their career prospects using only the degree of pressure needed to induce them to apply for voluntary retirement. The stigma of involuntary retirement could effectively be removed by this process since an "induced" voluntary retirement would be indistinguishable from a purely optional action.

SECRET

- 6 -

b. Employees who may well be aware of the fact that their careers have peaked out at about age 50 and that it would be to their and the Agency's best interests to seek careers elsewhere are undoubtedly restrained by their lack of financial resources to tide them over the transitional period. The assurance for a period of one year of undiminished income, in fact a larger income due to the absence of retirement deductions, will unquestionably induce many more voluntary early retirements.

c. Employees approaching mandatory retirement age and who might prefer earlier retirement may, in numerous cases, be "hanging on" only to increase their annuities or to obtain funds from salaries to complete their retirement plans. The availability of a substantial cash sum over and above their annuities may induce earlier voluntary retirement. At the very least it will make more acceptable the use of persuasion by the Agency less offensive.